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FISCAL IMPACT STATEMENT

LS 7321

BILL NUMBER: HB 1638

NOTE PREPARED: Jan 18, 2015

BILL AMENDED:

SUBJECT: School Transformation Zones.

FIRST AUTHOR: Rep. Behning

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Academic Performance: The bill makes various changes to the consequences for failing schools. It accelerates from six years to four years the time line for state intervention for a school in the two lowest categories or designations of school improvement.

Turnaround Academies: The bill makes various changes to the provisions relating to management of turnaround academies by special management teams.

Transformation Zone: The bill provides that the State Board of Education may approve a governing body's plan to establish a transformation zone.

Turnaround Grant: The bill establishes the Turnaround Grant Fund to make grants to turnaround academies.

Repealer: The bill repeals a provision relating to a correction of a disbursement of state and federal funds to the Indianapolis Public Schools for the 2012-2013 state fiscal year. It also makes technical corrections.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *State Board of Education* - Under this bill, the workload of the State Board of Education could increase because of the potential increase in the number of schools and school corporations with substandard academic performance grades (*see Explanation of Local Expenditures*), and the increased responsibilities associated with entering into contracts with special management teams. The

State Board would also incur additional costs in evaluating the expansion plans of special management teams, reviewing applications for the creation of transformation zones and innovation network schools, holding the required number of public hearings, and in determining what course of action to take after a school corporation has been managed by a special management team for five years.

Department of Education - The Department of Education (DOE) has to include the performance results of the innovation network schools when computing the performance assessment of the parent school corporation. The DOE would also provide any data to the State Board as necessary. These provisions should be within the DOE's routine administrative functions.

The DOE would also enter into contracts as determined by the State Board. The DOE's workload associated with entering into contracts would depend on how much of this function the State Board delegates to it. It is assumed that the DOE would continue to issue requests for proposals and compile a vendor list of suitable candidates for special management teams as it currently does for the State Board.

Department of Local Government Finance (DLGF) - The DLGF would have to compute the amount of local funding for each school that is managed by a special management team. Currently, the DLGF computes the funding for an entire school district and not for individual schools. If a school is returned to its original school corporation, the DLGF would have to incorporate the school's local funding into that of the original school corporation. This should be accomplished within existing budgets.

Turnaround Grant Fund - This fund is established to provide grants to turnaround academies, including schools within a transformation zone. This nonreverting fund would be administered by the State Board, and it would consist of appropriations made by the General Assembly or gifts. The Treasurer of State would invest the unobligated money in the fund. The bill does not make an appropriation to the fund.

Explanation of State Revenues:

Explanation of Local Expenditures: *Academic Performance* - Under this bill, the time line for State Board intervention in a school because of its academic performance would be reduced. For schools in the lowest category, the bill would reduce the time before the applicable State Board intervention from four years to two, and the time for the subsequent State Board intervention would be reduced from six years to four. As a result, the fiscal impact would depend on whether the school in question would have been able to improve its academic performance enough in the additional years provided under current law in order to avoid the applicable State Board intervention. If the school would not have been able to do so, the fiscal impact would be minimal.

On the other hand, if the school would have been able to improve its academic performance, the school and its parent corporation would avoid some of the administrative expenses associated with the applicable State Board action. This would include administrative expenses associated with the expert team, the possible employment of consultants, the restructuring that could occur, or possible loss of state tuition funding if the school board decides (and the State Board concurs) to restructure the school as a turnaround academy. Under this bill, these sanctions would be invoked after two consecutive "F"s. Sanctions invoked after four consecutive "F"s under this bill include the expenditures associated with transitioning to a turnaround academy, an innovation network school, or a school within a transformation zone.

Schools in the second lowest category would not be subject to any State Board intervention under current law, but they would be subject to the applicable State Board intervention under this bill. These schools would

incur expenses associated with transitioning to a turnaround academy, an innovation network school, or a school within a transformation zone.

School corporations that earn five consecutive “F”s would incur the additional administrative cost associated with transitioning to a turnaround academy, implementing a transformation zone plan developed by the special management team, filing a petition with the distressed unit appeal board, or implementing recommendations of the Department of Education.

Under this bill, when a school earns a “D” or an “F” for three consecutive years, the parent school corporation would incur additional administrative costs in preparing and possibly updating the facilities master plan.

Based on the most current school performance data from the DOE, there are 41 out of 1,763 public non-charter schools that received two consecutive “F”s (in 2013 and 2014). These schools would be eligible for State Board intervention under this bill. There are also nine additional schools that would become eligible if they receive an “F” in 2015. There are 49 schools with a rating of “D” or “F” for four consecutive years (2011 to 2014). These schools would also be subject to State Board intervention under this bill. There are an additional 30 schools that would become eligible if they received a “D” or an “F” in 2015. There is one school corporation that would be subject to State Board intervention if it received an “F” in 2015.

Transformation Zone - A school corporation would incur the additional cost of developing a plan to create a transformation zone within the corporation. Under this provision, the governing body of a school corporation may submit a plan to the State Board to create a transformation zone within the school corporation. The bill outlines the collective bargaining policy that a school within the transformation zone could implement. Both the plan and the collective bargaining policy have to be forwarded to the Indiana Education Employment Relations Board.

Additional Information: Academic Performance - Current law places Indiana schools into one of five performance categories based upon student performance and growth to proficiency. The five performance categories are: “A”; “B”; “C”; “D”; and “F”, with “A” being the highest and “F” the lowest. If a school’s academic performance places it in category “F”, the school is placed on probation, which could last up to six years. Under this analysis, two State Board interventions are considered. The first occurs when the school has earned four consecutive “F”s; the second occurs when the school receives six consecutive “F”s. School corporations are not subject to State Board sanctions because of their academic performance.

Explanation of Local Revenues: *Academic Performance, Turnaround Academies* - Under this bill, local funding for a school or school corporation assigned to a special management team would be transferred to the special management team. Additionally, if the special management team expands its operation to teach students in grades other than the grades it originally started with, the school corporation could experience more revenue loss as students transfer to the turnaround academy. A turnaround academy may also increase its revenue by receiving a grant from the Turnaround Grant Fund.

State Agencies Affected: Department of Education; State Board of Education; Department of Local Government Finance; Indiana Education Employment Relations Board.

Local Agencies Affected: School corporations; Schools; Indianapolis Mayor’s Office.

Information Sources: Department of Education databases.

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